

Message Text

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46

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ISO-00 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

INT-08 NSC-10 SS-20 STR-08 CEA-02 L-03 H-03 DODE-00

PA-04 USIA-15 PRS-01 AGR-20 DRC-01 /244 W

----- 050052

R 061011Z DEC 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5609

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

C O N F I D E N T I A L JIDDA 5375

BERUT PASS BAGHDAD

KUWAIT PASS DOHA AND MUSCAT

E.O. 11652: GDS

TAGS: PFOR, ENRG, EFIN, BEXP, SA

SUBJ: FOREIGN ECONOMIC COMPETITION AND A U.S. RESPONSE

SUMMARY: WHILE DOOR IS NOT YET OPEN FOR RESUMING DIRECT USG

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DIALOGUE WITH SAG ON INDUSTRIAL AND FINANCIAL ROLE FOR U.S. AS

MEANS OF ENCOURAGING THE HIGHEST POSSIBLE PETROLEUM PRODUCTION DURING REMAINDER OF DECADE, EMBASSY BELIEVES THAT INROADS BY FRENCH, BRITISH AND JAPANESE DURING THE PRESENT PERIOD SHOULD BE RECOGNIZED AND THAT PLANNING SHOULD BEGIN NOW FOR SUITABLE U.S. RESPONSE. END SUMMARY.

1. EMBASSY HAS BEEN WITNESSING A SUBSTANTIAL EFFORT BY OIL-HUNGRY COUNTRIES AROUND THE WORLD, SEEKING SHORT- AND LONG-TERM CRUDE SUPPLIES:

2. THE BRITISH: DURING THE CONTINUING PERIOD OF EMBARGO AND SAUDI CUTS IN PRODUCTION EUROPEAN AND JAPANESE COMPETITORS HAVE ESCALATED THEIR INTEREST IN SAUDI MARKET WITH PRACTICALLY ALL HOTELS IN THE CAPITAL FULL OF VISITORS FROM THESE COUNTRIES. THE PAST SIX WEEKS' ACTIVE WOOING OF SAUDI MINISTERS BY VARIOUS DELEGATIONS IN ECONOMIC/BANKING FIELD WAS CAPPED BY A SUCCESSFUL FIRST VISIT OF GOVERNOR OF BANK OF ENGLAND RICHARDSON ON NOV 25.

3. GOVERNOR RICHARDSON HAD AUDIENCE WITH KING SHORTLY BEFORE LATTER'S DEPARTURE FOR ALGIERS SUMMIT. BRITISH AMB ROTHNIE SUMMARIZED MEETINGS HELD WITH KING AND OTHER SAG OFFICIALS, SAYING THAT THEY HAD BEEN CONCERNED WITH POSSIBLE INCREASES IN OIL EXPORT TO UK, POSSIBLE INVESTMENT IN SAUDI INDUSTRY BY UK FIRMS, AND POSSIBLE UK ASSISTANCE WITH INVESTMENT ABROAD OF SAUDI FINANCIAL RESERVES.

4. RE OIL, BRITISH RECEIVED SOME ENCOURAGEMENT THAT AN INCREASE TO THE OIL-IMPORT LEVELS ORIGINALLY PLANNED FOR WINTER MONTHS WOULD BE PERMITTED. (ROTHNIE SAID THAT ACCORDING TO RICHARDSON PRIME MINISTER HEATH WAS FURIOUS AT AMERICAN OIL FIRMS WHOM HE ACCUSED OF DIVERTING PETROLEUM FROM UK MARKET. HE WAS REPORTED TO BE CONSIDERING QUOTE EVEN NATIONALIZATION OF THEM UNQUOTE, BUT ROTHNIE FEELS THIS IS PROBABLY PRIVATE HYPERBOLE BY THE PRIME MINISTER.)

5. SAG OFFICIALS EXPRESSED THEIR WILLINGNESS TO HAVE UK INDUSTRY EXPLORE MORE THOROUGHLY POSSIBLE INVESTMENTS IN THE KINGDOM. THE UK IS TALKING OF ESTABLISHING A PERMANENT INDUSTRIAL ADVISORY MISSION FOR THIS PURPOSE. IT HAS NOT YET

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BEEN DECIDED WHETHER TO ATTACH IT TO EMBASSY OR HAVE IT SEPARATE AND SITED IN RIYADH.

6. RE FINANCIAL INVESTMENT BY SAG ABROAD, VERY LITTLE REACTION WAS RECEIVED FROM DISCUSSION AND PROPOSALS BY RICHARDSON. HOWEVER, BRITISH INTEND TO PURSUE THIS SUBJECT, APPARENTLY UNILATERALLY. (MORGAN GUARANTY CHAIRMAN'S PROPOSAL FOR A MULTI-NATIONAL ADVISORY BODY REMAINS STALLED WITHIN THE SAG

APPARATUS, PROBABLY IN COUNCIL OF MINISTERS ITSELF.)

7. THE FRENCH: FRENCH INTEREST IN HAVING THEIR SECAM TELEVISION SYSTEM ADOPTED BY SAG, REPORTEDLY AGREED TO BY KING DURING HIS SUMMER VISIT TO PARIS, IS FROM ALL REPORTS MOVING FORWARD. A FRENCH TV DELEGATION IS IN KINGDOM AT PRESENT TIME. COUPLED WITH FRENCH SALES IN NEW DEFENSE-SUPPLY CONTRACTS TO SAUDI ARABIA, THERE IS GOING TO BE SUBSTANTIAL FRENCH INVOLVEMENT IN ECONOMIC DEVELOPMENT OF KINGDOM, ALTHOUGH NO HIGH-LEVEL PURELY FINANCIAL DELEGATIONS FROM PARIS ARE PROGRAMED SO AFAR AS WE KNOW (PARIS MAY WISH TO COMMENT). ACCORDING TO ONE REPORT, HOWEVER, FRENCH EMBASSY LOOKS FORWARD TO DAY WHEN THERE WILL BE AS MANY AS TEN THOUSAND FRENCH NATIONALS IN THE KINGDOM.

8. THE JAPANESE: PAST JAPANESE INTERESTS IN SAUDI PETROLEUM/ INDUSTRIAL-RELATED FIELDS ARE WELL KNOWN AND THERE IS A REPORT FROM CONGEN IN DHAHRAN THIS WEEK THAT MITSUBISHI IS INVESTIGATING SCHOOLING FACILITIES THERE FOR A PROJECTED FOREIGN LABOR FORCE OF SEVEN THOUSAND WITHIN THREE YEARS. THERE ARE REPORTS OF AT LEAST TEN MAJOR AND MINOR JAPANESE INDUSTRIALIZATION PROJECTS, ONE OF THEM ALONE SAID TO REQUIRE CAPITALIZATION OF A BILLION DOLLARS. THESE ARE PROCEEDING IF ANYTHING MORE RAPIDLY AS RESULT OF THE EMBARGO AND CURRENT CRISIS IN OIL PRODUCTION AND MARKETING. THE SEMI-OFFICIAL JAPANESE DELEGATIONS WHO HAVE BEEN SEEKING A REVERSAL OF CUT IN PRODUCTION, PLEADING THAT JAPAN HAS ALWAYS SUPPORTED COMPLETE ISRAELI WITHDRAWAL FROM OCCUPIED TERRITORIES, CAN BE PRESUMED TO HAVE ALSO OFFERED INDUSTRIAL AND FINANCIAL PRIVILEGES TO SAG AS PART OF THEIR PACKAGE.

9. COMMENT: COMPETITIVE ADVANTAGES BEING SOUGHT BY OUR ALLIES IN THIS COMMERCIAL/INVESTMENT RACE WILL BE HARD TO OVERCOME, CONFIDENTIAL

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EVEN WITH TRADITIONAL SAUDI TILT TOWARDS U.S. HIGH-LEVEL
USG CONSIDERATION OF ITS RESPONSE IN POST-EMBARGO PERIOD IS
NEEDED NOW. OUR SUGGESTIONS IN THIS REGARD WILL FOLLOW.
AKINS

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